SMEs suffering from international economic recession

†658.DR. MURLI MANOHAR JOSHI:

SHRI RAJ MOHINDER SINGH MAJITHA:

Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

(a) whether it is a fact that small industries contribute approximately 60 percent of export trade in the country;

(b) if not, the facts in this regard;

(c) whether industries of this sector have also suffered from international economic recession;

(d) if so, the assessment of this effect on the industry; and

(e) the assessment of additional Amount made by Government to bail out this industry from the effect of recession?

THE MINISTER OF MICRO, SMALL AND MEDIUM ENTERPRISES (SHRI MAHAVIR PRASAD): (a) and (b) As per latest data available, the share of micro and small enterprises (MSEs) in the country's exports during 2006-07 was 33 per cent. With the inclusion of medium enterprises in the sector after the enactment of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 and the consequent increase in the number of enterprises, the share of MSMEs in the country's exports is estimated to be about 40 per cent.

(c) to (e) The international economic recession has adversely impacted the Indian economy, including the MSMEs. While precise number of MSMEs that have suffered from international economic recession is not available, keeping in view the impact of international economic recession, the Government, the Reserve Bank of India and the Public Sector Banks have taken several measures for providing a stimulus to the MSMEs, which, *inter alia,* include:

(1) Stimulus Packages announced dated 7th December, 2008 and 2nd January, 2009

- Cenvat cut of 4 percentage points on all products for the remainder of the financial year.
- Interest subvention of 2 per cent in pre and post-shipment of export credit to SME sector up to 31.03.2009.
- Loan limit under Credit Guarantee Scheme for Micro and Small Enterprises extended from Rs. 50 lakh to Rs. 1 crore with a guarantee cover of 50%. The guarantee cover extended by Credit Guarantee Fund Trust will be increased to 85% for credit facility up to Rs. 5 lakh.
- Lock-in period for loans covered under the existing Credit Guarantee Scheme reduced from 24 months to 18 months.

(2) **Measures announced by the Reserve Bank of India**

- Refinance limit Rs. 7000 crore to SIDBI for incremental on-lending to the MSE sector.
- Banks have been advised to contribute an aggregate amount of Rs. 2000 crore to the MSME Refinance Fund with SIDBI.

†Original notice of the question was received in Hindi.

- As a one-time measure, the second re-structuring done by banks of exposures upto 30th June, 2009 will also be eligible for exceptional regulatory treatment.

- While sanctioning/renewing credit limits to their large corporate borrowers, banks have been advised to fix separate sub-limits, within the overall limits, specifically for meeting payment obligations in respect of purchases from MSEs.

(3) **Measures announced by the Public Sector Banks**

- Public Sector Banks to grant need-based *ad hoc* Working Capital Demand Loans upto 20 per cent of the existing funds based limits in respect of units having overall fund based credit facility upto Rs. 10 crore.

- Reduction in interest rates for borrowing by micro enterprises by 1 per cent and in respect of SMEs by 0.5 per cent.

- Moratorium period will be extended in respect of loans availed by MSMEs where project implementation has been delayed in the current scenario.

Sick Small Scale Industries

659. SHRI RAMDAS AGARWAL: Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

(a) the total number of Small Scale Industries (SSIs) in the country and the number of sick SSIs as on 31 March, 2008, State-wise;

(b) whether Government proposes to give financial package and provide some incentives for revival of sick SSIs in the prevailing economic environment;

(c) if so, the funds allocated for the purpose during each of the last two years and the current year, State-wise, particularly in Rajasthan and Orissa; and

(d) the details of SSIs revived so far, State-wise?

THE MINISTER OF MICRO, SMALL AND MEDIUM ENTERPRISES (SHRI MAHAVIR PRASAD): (a) The total number of micro and small enterprises (MSEs) in the country as on 31st March, 2007 (latest available) is estimated to be 1,28,46,365. As per the data compiled by the Reserve Bank of India (RBI) from the scheduled commercial banks, the number of sick MSEs in the country as at the end of March 2008 (provisional) is 85,187. The State/UT-wise details are given in the Statement-I (*See* below).

(b) to (d) The Ministry of Micro, Small and Medium Enterprises do not provide any direct financial assistance for rehabilitation of sick MSEs. However, financial assistance by way of debt restructuring, including fresh loans, for the rehabilitation of sick MSEs is provided by the primary lending institutions (PLI), including commercial banks, which provide credit to the MSEs and is an on-going process. For this purpose, the Reserve Bank of India (RBI) has issued detailed guidelines to banks in January 2002 on detection of sickness in MSEs at an early stage and taking remedial measures and for rehabilitation of sick MSEs identified as potentially viable. Further, RBI has issued guidelines on 8th September 2005, based on the "Policy Package for Stepping up Credit to Small and Medium Enterprises (SMEs)" announced by the Central Government on 10th August 2005.